

Market Alert

Monday 27 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7006	-0.0017
NZD/AUD	0.9670	-0.0031
NZD/JPY	77.52	-0.32
NZD/EUR	0.5975	-0.0038
NZD/GBP	0.5124	-0.0013
NZD/CNH	4.5269	0.0547
AUD/USD	0.7251	0.0006
AUD/EUR	0.6182	-0.0019
EUR/USD	1.1729	0.0047
USD/CNH	6.4619	0.0937
GBP/USD	1.3672	0.0002
EUR/GBP	0.8578	0.0033

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.62%	0.02%
2 year swap	1.46%	0.26%
10 year Govt	2.01%	1.41%

Directionless markets!

Markets lacked direction overnight as European stocks caught up with Friday nights close while rising bond yields pushed tech shares down sending both the S&P and the Nasdaq into the red. The 10-year treasury is currently yielding 1.48%, and while the NZD and AUD both firmed, interestingly the Euro weakened.

New orders for US durable goods surged 1.8% in August, easily beating market forecasts of a 0.7% advance, while the July number was revised higher to 0.5%.

We also had a couple of Fed members chatting with John Williams, stating it's

"reasonable to think that the tapering could be done by the middle of next year," while Neel Kashkari added *"A healthy economy is one where businesses have to work hard to find workers."*

One person who wasn't speaking was Bank of Boston Fed President, Eric Rosengren, who announced he will retire this week due to a health condition ..., but not due to the recent revelations surrounding his personal trading activity last year. It was those revelations that prompted Fed Chair, Jerome Powell, to ask staff to examine internal ethics rules to identify *"ways to further tighten those rules and standards."*

Talk about a quid-each-way, BoE Governor, Andrew Bailey, has stated that interest rates could rise as early as this year, while also cautioning about the limits of monetary policy saying, *"The central bank's key rate would become the tool for tightening policy to tame inflation, even before the current bond-buying program expires."* He then added *"moving too soon, could disrupt the UK's still nascent economic recovery."* And speaking of the UK, freight industry group Logistic UK estimates that the country needs around 90,000 more HGV drivers to resolve their supply chain issues and petrol shortages.

Fitch has announced that the impact of Evergrande's fallout on rated engineering and construction (E&C) companies is manageable as most have a

limited exposure mitigating their risk of a single customer default or project failure incident. That said, E&C companies with material exposure to housing projects and property development business may be affected in the event that a default disrupts the broader property market.

The Australian PM, Scott Morrison, has announced that all Australian states must reopen their borders once vaccination targets have hit the magical 80% level.

Goldman Sachs has increased its year end Brent oil forecast from USD80.00 to USD90.00, which isn't that much of a call, with the current price at USD79.45 after it rallied 1.75% overnight amid supply concerns and prospects of higher demand.

Who will blink first?

While Republicans and Democrats have long sparred over raising the US debt ceiling, this time the odds are growing that the US could actually default due to the Republican 'filibuster'. This is a procedure where members debate a proposed piece of legislation to delay or entirely prevent a decision being made on the proposal, while President Biden and the Democrats aren't even attempting to negotiate a resolution, instead sparring over who should be saddled with a vote that could be used against them politically.

Stay safe, stay dry, and hey, let's be careful out there!



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.82					CAD	0.8877	0.9180
NZD/USD	0.7006	-0.0001	-0.0006	-0.0017	-0.0056	CHF	0.6481	0.6702
NZD/AUD	0.9670	-0.0003	-0.0012	-0.0031	-0.0088	CNY	4.5288	4.6835
NZD/JPY	77.52	-0.03	-0.12	-0.32	-0.91	DKK	4.4428	4.5946
NZD/EUR	0.5975	-0.0004	-0.0016	-0.0038	-0.0094	FJD	1.4646	1.5146
NZD/GBP	0.5124	-0.0001	-0.0005	-0.0013	-0.0035	HKD	5.4623	5.6489
						KRW	825.25	853.46
AU TWI	61.10					MYR	2.9536	3.0546
AUD/USD	0.7251	0.0001	0.0003	0.0006	0.0008	NOK	6.0241	6.2300
AUD/NZD	1.0342	0.0003	0.0013	0.0033	0.0095	SEK	6.0571	6.2641
AUD/JPY	80.23	-0.01	-0.03	-0.08	-0.22	SGD	0.9485	0.9809
AUD/EUR	0.6182	-0.0003	-0.0009	-0.0019	-0.0042	TWD	19.42	20.08
AUD/GBP	0.5304	0.0000	0.0002	0.0004	0.0012	ZAR	10.4739	10.8319
USD Index	93.33					EQUITIES		
EUR/USD	1.1729	0.0007	0.0021	0.0047	0.0093		Index	
USD/JPY	110.64	-0.02	-0.09	-0.20	-0.42	NZX50	13,260	
GBP/USD	1.3672	0.0001	0.0001	0.0002	-0.0016	ASX200	7,343	
EUR/GBP	0.8578	0.0004	0.0014	0.0033	0.0078	Dow Jones	34,798	
						S&P 500	4,455	
						FTSE100	7,051	
						DAX 30	15,532	
						Nikkei	30,249	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.44%	0.40%	-0.01%	0.02%	Dubai Light	74.54	
90 day bank bills		0.64%	0.60%	0.04%	0.00%	Brent Crude	78.09	
FRA 90d in 3mths		1.00%	0.97%	0.06%	0.03%	Gold	1,750.00	
FRA 180d in 6mths		1.42%	1.39%	0.14%	0.13%	Silver	22.40	
1 year swap		1.12%	1.09%	0.08%	0.06%	CRB Index	239.48	
2 year swap		1.47%	1.45%	0.26%	0.25%		NZD	
3 year swap		1.65%	1.62%	0.49%	0.48%	NZ Carbon	64.50	
5 year swap		1.86%	1.84%	0.90%	0.86%			
10 year swap		2.21%	2.18%	1.56%	1.55%			
10 year Govt bond			1.99%		1.41%			

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